SUPPLEMENTAL REPLY DECLARATION OF ELAINE M. GUERARD, JULIE A. CANNY, AND MARILYN C. DEVITO

ATTACHMENT 2

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SUPPLEMENTAL REPLY DECLARATION OF ELAINE M. GUERARD, JULIE A. CANNY, AND MARILYN C. DEVITO

ATTACHMENT 3

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Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Application by Verizon New Jersey,	)	
Inc., Bell Atlantic Communications,	)	
Inc. (d/b/a Verizon Long Distance),	)	WC Docket No. 02-67
NYNEX Long Distance Company	)	
(d/b/a Verizon Enterprise Solutions),	)	
Verizon Global Networks Inc., and	)	
Verizon Select Services Inc., for	)	
Authorization to Provide In-Region,	)	
InterLATA Services in New Jersey	)	

SUPPLEMENTAL REPLY DECLARATION OF

PATRICK A. GARZILLO AND MARSHA S. PROSINI

1. My name is Patrick A. Garzillo. My background is as described in the declaration that Marsha S. Prosini and I filed with Verizon's initial New Jersey section 271 Application on December 20, 2001. I am responsible for all sections of this supplemental reply declaration.

2. My name is Marsha S. Prosini. My background is as described in the declaration that Patrick A. Garzillo and I filed with Verizon's initial New Jersey section 271 Application on December 20, 2001. I am responsible for all sections of this supplemental reply declaration.

3. The purpose of this supplemental reply declaration is to respond to the claims of AT&T, WorldCom, the Ratepayer Advocate ("RPA"), and XO Communications ("XO") regarding Verizon's UNE rates for hot cuts, switching, the daily

usage file ("DUF"), and feature changes. We also demonstrate that the New Jersey non-loop rates benchmark to the New York rates.

I. Hot Cut Rates.

4. Several parties continue to complain about Verizon's hot cut charges, even though Verizon has voluntarily agreed to reduce these charges to levels significantly below the TELRIC rates adopted by the Board and the New York Public Service Commission. *See Garzillo/Prosini Supplemental Declaration* ¶ 4. As we described in our *Supplemental Declaration*, a CLEC will now be charged $35.00 for both initial and additional two-wire loop hot cuts, four-wire loop hot cuts, ADSL/HDSL loop hot cuts, DDS/56KD loop hot cuts, IDLC to copper loop hot cuts, and line port hot cuts. *See id.* (This rate is part of the model interconnection agreement that Verizon makes available to CLECs in New Jersey. *See* Attachment 1, at 16.) This voluntary rate reduction will remain in place for two years unless the Board sets a new rate before the close of that period. *See id.* ¶ 5.

5. The Commission should reject the CLECs' attempt to litigate Verizon's hot cut rates in this section 271 proceeding. The CLECs have not demonstrated that the Board committed any clear error in adopting a rate of $159 – a number that is far higher than Verizon's voluntary $35.00 rate. *See e.g.*, Memorandum and Opinion Order, *Application by Verizon New England, Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), Verizon Global Networks, Inc. and Verizon Select Services, Inc. for Authorization to Provide In-Region, InterLATA Services in Vermont,* CC Docket No. 02-

7, ¶ 15 (2002) (*"Vermont Order"*) . And the CLECs have raised the very same hot cut issues in their motions for reconsideration of the Board's UNE Order that they raise here.

6. Even if the Commission were to consider the CLECs' hot cut claims, they should be rejected. Verizon's current $35.00 rate is far below the costs Verizon incurs to provision a hot cut, as the New Jersey Board found. The RPA claims, however, that although the Board cited certain infirmities in Verizon's non-recurring cost studies, it "nevertheless proceeded to set final and permanent non-recurring rates based upon unverifiable reductions in work times." RPA Comments at 7. The RPA also asserts that "[t]he Board's unilateral reductions to compensate for these deficiencies is inadequate and should be relied upon by the FCC." *Id.* The RPA is incorrect.

7. Although the Board expressed concerns regarding the time estimates underlying Verizon's model, it did *not*, as the RPA seems to suggest, determine that all of Verizon's work time estimates were wholly unreliable or irretrievably flawed. Rather, it determined that Verizon could "address[] its specific concerns in the appropriate sections and ma[ke] suitable modifications as necessary to ensure that the output from the study produce[d] proper forward-looking results based upon TELRIC principles." Decision and Order, *The Board's Review of Unbundled Network Elements Rates, Terms and Conditions of Bell Atlantic-New Jersey, Inc.,* at 158, Docket No. TO00060356 (NJ BPU March 6, 2002) (*"Final Order"*). The Board therefore required Verizon to implement eight modifications to its NRCM, not all of which apply to hot cut rates. For example, the Board ordered Verizon to reduce travel times for various activities; ensure that "additional" tasks in no case took more time than their "initial" counterparts by decreasing the "additional" estimate to the "initial" level where applicable; reduce to zero

the time estimates for numerous tasks wherever they appeared within the NRCM in connection with an "additional" element; revise the times for various other activities to five minutes; eliminate field installation charges for the twenty UNEs relating to migrations; and eliminate manual translation times that were made obsolete by the flow through capabilities of Verizon's operations support systems. *See id.* at 163.

8. The Board has affirmed that Verizon properly implemented the Board's modifications. The Board "reviewed Verizon's recurring and non-recurring model reruns, including the revised switching runs, as well as the related workpapers, and [was] satisfied that these re-runs are consistent" with the Board's directives. *Summary Order* at 13 (App. F, Tab 9). The Board therefore found that the modified rates "are just and reasonable, and in accordance with law." *Summary Order* at 14. And in its subsequent *Final Order*, the Board found "that the methodology employed by Verizon NJ, after the modifications specified herein are taken into account, is sound, in that it makes reasonable estimates of the time currently taken for each work activity." *Final Order* at 162. The Board expressly found that its modifications would be "suitable ... to ensure that the output from the study produces proper forward-looking results based on TELRIC principles." *Final Order* at 158.

9. In short, the Board's concerns regarding Verizon's work time estimates must be interpreted in light of how it addressed those concerns. If the Board had believed that all of Verizon's work times were fatally flawed by biased time estimates, it could have adopted AT&T's alternative model. It did not. If it believed that the modifications listed above were insufficient to cure the problems it perceived, it could have prescribed more modifications. It did not. And if it believed that Verizon's compliance filing,

which reflected these modifications, was still inadequate, it could have declined to approve that filing. But it did not. The only logical conclusion is that the Board specifically adjusted the time estimates it believed were flawed, and found the rest of the work times reasonable and TELRIC-compliant.

10. That the Board's findings on hot cut rates comply with TELRIC principles is further demonstrated by the fact that the New York Public Service Commission adopted a *higher* hot cut rate after carefully scrutinizing Verizon's time estimates, the primary component of the hot cut rates. As we explained in our *Supplemental Declaration*, the New York Public Service Commission found, after previously rejecting Verizon's work time estimates, that Verizon's current work times and non-recurring methodology satisfied the PSC's previous concerns and were sound: "If anything," the Administrative Law Judge concluded, "Verizon's efforts to study its NRCs on a forward-looking basis represent a further improvement beyond" its previous "credible" efforts. Recommended Decision on Module Three Issues, *Proceeding on Motion of the Commission to Examine New York Telephone Company's Rates for Unbundled Network Elements*, at 186, Case 98-C-137 (NY PSC May 16, 2001). Moreover, the same judge stated in the earlier Phase 3 proceeding that the analysis performed on Verizon's work time estimates "validates, as a matter of statistical theory, the worktime estimates to which it applies, and those estimates resolve one of the concerns raised in Phase 2, namely, the small number of data points considered." *Phase 3 Recommended Decision* at 52; *see also Supplemental Declaration* ¶ 13. Importantly, the hot cut work times Verizon proposed in the New York proceeding are comparable to the work times proposed in New Jersey. *Supplemental Declaration* ¶ 13.

11. The CLECs' claim that Verizon's hot cut rates include costs for unnecessary activities and activities designed solely to check on Verizon's work groups is meaningless in light of Verizon's agreement to reduce its charge to $35.00. As we demonstrated in our *Supplemental Declaration*, Verizon incurs about $35.00 in costs simply to ensure that the CLEC is ready to proceed with the hot cut, based on time estimates approved by the Boards. *See id.* ¶¶ 21-25 & Attachments 4 & 5. And these same time estimates were approved by the New York Public Service Commission. Among other things, Verizon has been asked to (1) contact the CLEC to make sure the CLEC's provisioning center is aware of and agrees with the information contained in the CLEC's order, (2) notify the CLEC if Verizon detects a problem with the CLEC's dial tone (e.g., no dial tone on the assigned CLEC port, working service found on assigned CLEC port), (3) reverify the service order to determine whether the CLEC has made any due date or other changes; and (4) verify that CLEC dial tone is present at the assigned location, and that the dial tone appears on the correct assigned cable and pair. A complete description of these activities is provided in our *Supplemental Declaration*. *See Garzillo/Prosini Supplemental Declaration* ¶ 22.

12. Verizon incurs another $19.69 just to physically run and connect the jumper from the loop to the CLEC's port. This cost, too, is based on time estimates approved by the New York PSC and the New Jersey Board. *See Garzillo/Prosini Reply Declaration* ¶ 25 & Attachments 3 & 6. For example, Verizon must send a technician to the remote or unmanned central office to perform the frame provisioning work, pre-wire the frame in advance of the hot cut, and perform the actual hot cut on the due date.

13. The statistical analysis we provided in our *Supplemental Declaration* should also give the Commission comfort that Verizon's reduced hot cut rates are TELRIC-compliant. Although Verizon disagrees that higher than average work times for a particular activity should be excluded from the study, it nonetheless removed all work times that were more than two standard deviations from the average, *and* used the median rather than average work times, arriving at a hot cut rate of $110.98. *See Garzillo/Prosini Supplemental Declaration* ¶ 27 & Attachment 7.

14. AT&T cites previous testimony it has filed suggesting that the non-recurring hot cut rate should not exceed $4.35. *See* AT&T Comments at 8. AT&T's approach, which the Board rejected as one of its many efforts to "assume[] away" relevant costs, *see Final Order* at 157, is based on an imaginary automated alternative to Verizon's processes in which instructions are sent to the old (disconnecting) switch to terminate (or shut-down) service to that switch and, within a few seconds, a similar instruction is sent to the new switch to turn-on translations. *See Walsh Declaration* ¶ 23. AT&T provides no evidence that Verizon or any other company is capable of implementing its hypothetical automatic hot cut process. Nor could it, because none exists. *See, e.g.*, Verizon February 20, 2002 Ex Parte, Attachment 3 (Meacham Rebuttal). As Verizon has explained, the hot cut process is designed to move a POTS loop that is in service from Verizon's switch to the CLEC's switch without any interruption of service. This requires coordinated work efforts by both Verizon and the CLEC that cannot be automated in the manner AT&T imagines. *See Lacouture/Ruesterholz Declaration* ¶ 92. Thus, the entire process is designed to ensure a smooth transition of service and to minimize service interruption for the end user

because, as this Commission has noted, "[t]he ability of a BOC to provision working, trouble-free loops through hot cuts is of critical importance in view of the substantial risk that a defective cut will result in end-user customers experiencing service disruptions that continue for more than a brief period." Memorandum Opinion and Order, *Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act To Provide In-Region, InterLATA Service in the State of New York*, 15 FCC Rcd 3953 ¶ 299 (1999) (*"New York Order"*).

15. The CLECs' attempt to compare hot cut rates in other Verizon jurisdictions, which are based on earlier costs studies, should be disregarded. When Verizon developed its first round of cost studies, it had only a limited understanding of all the activities required for the provision of hot cuts; those cost studies, therefore, failed to account for all of Verizon's costs. *See Garzillo/Prosini Reply Declaration* ¶¶ 18-19. In addition, Verizon has, since the earlier studies, participated in a series of industry-wide meetings, at which CLECs demanded the expansion of Verizon's hot cut procedures to help minimize end-user service outages resulting from CLEC errors. Verizon's more recent cost studies reflect the procedures demanded by the CLECs. Its older studies – and the rates resulting from those studies – did not. *See id.* ¶ 20.

16. Finally, the CLECs have argued that they should not be responsible for processes they demanded during industry-wide collaboratives because, they claim, those processes were needed because of Verizon's own poor performance. This simply is not the case. As noted above, Verizon spends more than $50.00 just to make sure the CLEC is ready to proceed with the hot cut and to physically run and connect the jumper from the loop to the CLEC's port. These checks are necessary because the CLECs, in fact,

often fail to perform the activities required on their end of the hot cut. As explained in the *Lacouture/Ruesterholz Reply Declaration* ¶ 17, Verizon analyzed the hot cuts performed during December, 2001, for two CLECs in New Jersey. For one CLEC, Verizon completed 68 hot cut orders and identified CLEC-caused problems affecting 9, or about 13%, of those orders. For the other CLEC, Verizon completed 40 hot cut orders; on 12 of those orders, or *30%*, Verizon identified problems caused by the CLEC that would otherwise have placed the end user out of service. The problems encountered included cases in which (1) the CLEC provisioning team had no record of the hot cut order when called by RCCC (5% of problem orders), (2) the CLEC assigned a switch port that was already in use for another customer (29% of problem orders), (3) the CLEC's port did not have dial tone (38% of problem orders), (4) the CLEC's port had the dial tone on the wrong line (14% of problem orders), and (5) the CLEC was not ready to accept the hot cut on the due date (14% of problem orders). Thus, many of the current hot cut procedures are required to make sure the CLECs do not create a service outage.

II. Switching Rates.

17. The CLECs' complaints about the switching rates adopted by the New Jersey Board, after a full and fair proceeding, are likewise without merit and fail to demonstrate that New Jersey UNE rates fall "outside the range that the reasonable application of TELRIC principles would produce." Memorandum Opinion and Order, *Joint Application by SBC Communications Inc., et al., for Provision of In-Region, InterLATA Services in Kansas and Oklahoma*, 16 FCC Rcd 6237 ¶ 59 (2001). Moreover, as described further below, the New Jersey switching rates benchmark to the new New York rates, and are thus TELRIC-compliant.

A. Switching Charges for Intra-Switch Calls.

18. WorldCom wrongly claims that Verizon "improperly" charges both its originating end office switching rate and its terminating end office switching rate for intra-switch calls. *See* WorldCom Comments at 6-7. First, WorldCom and the RPA have raised this issue in their motions for reconsideration of the Board's UNE Order; this issue should therefore be decided by the Board, not in the context of this section 271 proceeding.

19. WorldCom's assertion, in any event, is incorrect, as Verizon has repeatedly explained. Applying both originating and terminating local switching charges to intra-switch calls is appropriate because these charges recover completely separate and distinct costs. Even WorldCom does not deny that every call involves "originating" and "terminating" switching activities, regardless of whether the call is from one end user to another serviced by the same switch, or between users served by different switches. On the originating end of a call, the switch provides dial tone to the caller, collects the dialed digits from the caller, and routes the call to the called party. On the terminating end, the switch provides ringing to the customer, detects the off-hook from the customer, and connects the terminating customer to the originating customer. Each of these activities requires switch processing, and were costed out separately and divided into separate originating and terminating elements. *See* Attachment 2 (workpaper Tab 4.2). These activities, moreover, are the same whether or not the call is an inter-switch or intra-switch call.

20. To be sure, as WorldCom notes, inter-switch calls also involve other costs that are not associated with intra-switch calls, including the costs associated with carriage

between one switch and another. But these costs are accounted for by *separate* transport charges that are only applied to inter-switch calls; Verizon does *not* recover these costs in the intra-switch charges at issue here.

21. As a matter of rate design, Verizon could put all relevant switching costs in either the originating or terminating rate elements, but that rate structure could give rise to distortions. Certain calls do not travel solely on Verizon's network – for example, calls that are passed from Verizon to an inter-exchange carrier ("IXC"), or from an IXC to Verizon. In those cases, Verizon generally will apply only an originating switching charge *or* a terminating switching charge because it is performing only one of those functions. If all switching costs were lumped into either originating or terminating minutes, Verizon would either over-recover or under-recover switching-related costs for calls that travel to or from another network. The Board here adopted Verizon's rate design – an issue that should be decided by state commissions. *See Final Order* at 110-11.

22. Thus, because Verizon divides switching costs between "originating" and "terminating" minutes, and because those costs do *not* vary based on how many switches are involved in a given call (even if *other* costs do vary), application of "originating" and "terminating" end office switching charges is appropriate for intra-switch calls. As the Commission has previously found, Verizon's method is TELRIC-compliant. *See Vermont Order* ¶ 32 (holding that the CLECs presented no evidence that Verizon's method of charging for originating and terminating minutes violates TELRIC principles and noting that Rhode Island and Pennsylvania also charge on this basis).

B. Recovery for Vertical Features.

23. AT&T argues that the costs associated with vertical features and "getting started" investments should be recovered in Verizon's fixed port rates, rather than in the switching per minute of use rate. *See* AT&T Comments at 14-18. This claim, too, has been raised in the motions for reconsideration filed by AT&T, WorldCom and the RPA.

24. Indeed, as we discuss above, state commissions are uniquely positioned to address rate design issues, which involve a careful analysis of competing policy interests. Here, the Board specifically considered the CLECs' arguments and concluded that vertical features and other "getting started" costs should be recovered in the per minute of use rate. *See Final Order* at 124-25. The Commission should not disturb the Board's policy judgments. In addition, the Commission has held that it is entirely appropriate to recover switching costs in a per minute of use rate. First Report and Order, *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996,* 11 FCC 15499 ¶ 810 (1996).

25. In any event, AT&T's claims are wrong on the merits. According to AT&T, once "vertical features are 'activated,' Verizon incurs no additional usage-related costs for those features." AT&T Comments at 15. AT&T's argument boils down to the illogical assertion that whether or not a cost is usage-sensitive depends on *when* the cost is incurred. Vertical features are properly included in the MOU rate because this functionality is tied to the switch's processing resources, regardless of when vertical feature costs are incurred. For example, when an end user with "call waiting" is using the line and receives another call, it is the processor that: (1) determines that the called party is on the line; (2) checks to see whether the called party has the call waiting feature; (3)

sends a "ring" rather than a busy signal to the caller; and (4) sends the call waiting beep to the called party (end user). Each of these activities requires the use of switch processing resources.

26. AT&T contends that because the switch is port-limited, rather than limited by capacity, vertical feature and "getting started" costs cannot be usage-sensitive. This claim misses the point. A switch's processing resources will be consumed, and ultimately exhausted, by increases in usage. Of course, Verizon attempts to size its switches properly, so that all usage can be accommodated without expansions in switch capacity. But, of course, the fact that Verizon has sized its switch appropriately and incurs vertical feature and "getting started" costs upfront does not mean that the costs are not usage-sensitive; if Verizon had expected lower usage levels, it would have sized its switch differently. Indeed, by AT&T's logic, if Verizon had underestimated its switching needs, so that increased usage required increased capacity, features-related costs would suddenly become usage-sensitive. (Verizon has in fact replaced switch processors with larger capacity processors.)

27. Moreover, it is important that switch resources that are shared among users, like feature and getting started costs, be allocated in an economic and reasonable manner among all users according to *how much* of the resource is being used by an end user. AT&T's contention that costs associated with features and getting started costs should be recovered as part of fixed port rates is inconsistent with this principle. Putting more of Verizon's switching costs in the fixed port rate would result in low volume residential users subsidizing the high volume business users because the port rate would have to reflect average usage – a problem noted by the New Jersey Board. *Final Order* at

124-25. AT&T's approach, moreover, would encourage the inefficient consumption of switch resources, as the New Jersey Board also noted. *Id.*

28. Finally, if vertical feature costs and "getting started" investments were moved to the port, as AT&T proposes, the port rate would increase significantly. As we noted in our *Reply Declaration* in the initial New Jersey 271 proceeding, the New Jersey port rate, $0.73, is far lower than the $2.57 port rate in New York, where the PSC decided to require that costs associated with vertical features be recovered in port rates rather than switch usage rates. *See Garzillo/Prosini Reply Declaration* ¶ 12.

C. Busy Hour Annualization Issues.

29. WorldCom incorrectly contends that Verizon's switching costs are overstated because Verizon fails to account for switching traffic on the weekends and holidays. WorldCom Comments at 7. First, WorldCom and the RPA have raised this same issue in their motions for reconsideration filed with the New Jersey Board. As the Commission noted in its *Vermont Order*, decisions regarding the BHAR are complex, and would require an analysis of other parts of Verizon's cost studies, including the BHDR and the SCIS model. The Commission therefore found that the record was insufficient to make any specific changes, and that these kind of fact-specific findings "are best made by the State Commission as an initial matter." *Vermont Order* ¶ 31.

30. In any event, WorldCom is wrong. Verizon *does* properly account for usage on weekends and holidays, as we have previously explained. *See* Verizon February 20 Ex Parte. Consistent with TELRIC principles, the Verizon switching study

calculates the forward-looking switching investment required to support the total existing line and traffic demand and spreads that investment over all annual minutes.

31. Standard engineering industry practice requires a carrier to design each switch to meet service levels for the average demand in its *busy hour* during its *busy season*. The busy hour is defined as the hour during the business week (Monday through Friday) in which the switch consistently experiences the highest average demand. The "busy season" is defined as the three months of the year (not contiguous) that consistently experience the highest average demand. Thus, to calculate switch investments, Verizon looks at the average busy hour traffic demand in the busy season for each type of customer line served by the switch (analog POTS, digital POTS, ISDN BRI, and so forth). This traffic parameter is expressed in CCS/line, because, in part, numbers based on multipliers of 100 are generally easier to use for statistical purposes. (One CCS equals one hundred call seconds, and is therefore equivalent to 1.66 minutes of use.) Using this information, Verizon calculates the cost per busy hour, busy season minute of use. *See generally* Attachment 2 (workpaper Tab 4.2).

32. The cost per busy hour busy season minute of use, of course, must be spread over *all* minutes in the year. This is accomplished in the Verizon study by applying two factors. The first is the Busy Hour to Day Ratio ("BHDR"), which is the ratio of traffic in the busy hour to traffic in the whole day. To determine this factor, Verizon first recorded (a) the number of minutes in the busiest hour and (b) the number of minutes in the entire day, for five consecutive business days in four months (March 1998, September 1998, November 1998, and March 1999), and determined the relationship between the two. This ratio represents the proportion of the busy day's

traffic that is accounted for by the busy hour. Because there are 24 hours in a day, and the starting point is a *busy* hour, the ratio must fall somewhere above 0.042, or 1/24. In New Jersey, the BHDR was determined to be 0.0747, meaning that the traffic in the busy hour represents about 7.47% of all traffic in the day. Applying the BHDR to the busy hour, busy day per minute of use cost, developed above, spreads these costs over all the minutes in an average day in the busy season.

33. Verizon then divides the BHDR by 251 to compute the "Busy Hour to Annual Ratio," or "BHAR," which represents the relationship between traffic in the busy hour of one business day to total traffic in the year. In New Jersey, the BHAR equals 0.0747/251, or 0.000298. *See* Attachment 3 (workpaper Tab 4.4). Verizon then multiplies the BHAR by the per-busy-hour-minute costs identified above. The product is the per-annual-minute-of-use switching cost. *See* Attachment 2 (workpaper Tab 4.2).

34. WorldCom's criticisms focus on Verizon's use of 251 days. As noted above, the Commission accepted Verizon's use of 251 days in the *Vermont Order*, holding that the analysis was complex and required detailed factual finding that are best left to state commissions. *Vermont Order* ¶ 31. As we explain above, Verizon's methodology does account for weekend and holiday traffic because the BHAR is multiplied against a figure representing the busy hour during a busy season, rather than an average business day. By using 251 days, which equates to all business days, even though not all business days experience peak usage, Verizon is accounting for traffic on the weekends and holidays.

35. It would be plainly inappropriate to divide the BHDR by 365 to compute the BHAR, as AT&T has suggested in a previous proceeding. That approach would effectively assume that usage on a business day in the busy season represented average usage for every day of the year – including not only other business days, but weekends and holidays as well. That obviously is not the case.

36. WorldCom proposes that Verizon should compute its BHAR by dividing the BHDR by 308 – the figure recently adopted by the New York PSC – rather than by 251. According to WorldCom, this approach would treat weekend days as half days on the assumption that traffic volumes on weekend days are half those on business days. WorldCom has not presented any evidence to support this point. But even if WorldCom were correct, using 308 is inappropriate because WorldCom is still incorrectly assuming that *every* business day experiences traffic volumes that are equal to the traffic in a *busy* day. The 308 could only be correct if there were no difference in the business day MOUs per line in the busy season versus the rest of the year – a plainly false presumption. WorldCom's proposal would therefore substantially overstate usage volumes.

37. WorldCom's claim that its recommendation to use 308 days is conservative because recent data supports the use of **** **** days is also flawed. WorldCom claims that it has "discovered data that indicates that Verizon does measure weekend and holiday usage," and that "the level of holiday usage is ... significantly more than half the level of business day usage." This discovery, WorldCom asserts, warrants a switching rate reduction of **** ****. *See* WorldCom Comments at 6, *Frentrup Declaration* ¶ 8. But WorldCom took the data that it cites from a study of trunk usage, which began with *average* usage, not busy hour, busy season usage. Average usage will,

of course, be less peaked than busy hour usage. It makes sense, therefore, to multiply this average usage over a greater number of effective days to compute annual usage. Thus, WorldCom's proposal to add **** **** days to Verizon's BHAR calculation, instead of the 57 days it proposes in the alternative here, would even further overstate usage and understate switching costs.

38. Verizon use of 251 days is also supported by AT&T's Hatfield Model, which calculates a BHAR using 270 days, although the document Hatfield Model relies on to support this number actually uses 264 days. *See* Attachment 4, at 128. In fact, using the Hatfield Model's 270 days along with its BHDR of 0.10 results in *higher* switching costs. And if the Hatfield Model's BHDR was divided by 264 days, the derived per-MOU costs would be even higher. Likewise, if the Hatfield Model's 0.10 BHDR were divided by the 308-day figure WorldCom proposes here, the switching costs would again be higher than the Board-approved rates.

39. Verizon recognizes the Hatfield model does not use the BHDR and BHAR to convert busy hour, busy season costs per minute of use to annual minutes. Instead, the Hatfield Model does the opposite: it takes annual minutes and then uses the BHDR and BHAR ratio to determine if the signaling switch has enough capacity for the busy hour, busy season. But, of course, the relationship is the same whether one begins with annual usage, as the Hatfield Model does, or busy hour usage, as does Verizon.

40. Verizon's approach to distributing switch investments among all minutes of use is TELRIC compliant, as the New Jersey Board found. *See Final Order* at 122.